

MOUNTAIN

PROVINCE

MINING INC.

Developing one of Canada's

Promising Diamond Discoveries

ANNUAL REPORT

Diamonds from the

AK-5034 Pipe

The diamonds shown

were recovered from

the AK-5034 kimber-

lite pipe as part of

Mountain Province's

100-tonne mini-

bulk sample.

In this first significant

sample, diamonds

with a total

weight

of 75.9 carats

were recovered from

24.6 tonnes of

processed kimberlite,

representing a

recoverable grade of

3.09 carats per tonne.

The diamonds

shown, representing

the largest recovered

to date, weigh 1.89,

1.53, 1.03, 0.88, 0.86

and 0.70 carats.

All are clear and of

gem quality.

Profile

Mountain Province Mining is one of the few

exploration and mining companies to locate a

potentially commercial-grade diamond deposit in

North America. Its "AK-5034" kimberlite pipe is

recognized as one of Canada's promising diamond

discoveries and, based on early results, could rank

high among discoveries and deposits worldwide.

The Company is adequately financed for its current

phase of development, and management has

established a track record of geological expertise,

fiscal responsibility and innovative risk control.

Background

Mountain Province Mining was established in 1986 as a gold exploration company, originally acquiring the Ketza River gold property in the Yukon. Following Canada's first major diamond discovery by Dia Met Minerals in 1991, Mountain Province secured the AK/CJ property covering 550,000 acres in two claim blocks located some 100 miles southeast of the Dia Met properties. They later joint ventured these claims with Glenmore Highlands Inc. (40%) and Camphor Ventures Inc. (10%).

In the wake of Dia Met's success, more than 200 companies descended upon the Northwest Territories, spending millions on prospecting. Most relied upon magnetic imaging technology operated from aircraft to locate geophysical anomalies presumed to host kimberlite pipes. While this strategy led to many discoveries, very few of those kimberlite pipes hosted diamonds in economically viable quantities.

Mountain Province management, assessing the peculiar glacial history of northern Canada, developed a different strategy by concentrating on indicator minerals which were carefully worked out of surface samples taken every 1,000 metres. This painstaking method eventually led to the discovery of the AK-5034 pipe in 1995.

Strategy

The next phase of Mountain Province's growth is centred on large-scale bulk sampling of the AK-5034 pipe to determine commercial feasibility. A 100-tonne mini-bulk sample will be completed by September 1996, followed by a commercial-scale feasibility sample of some 3,000 tonnes to recover at least 10,000 carats.

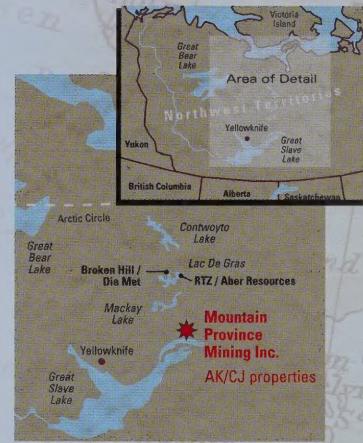
Mountain Province and its partners are funding the 100-tonne mini-bulk sample, estimated to cost \$12 million, with cash resources on hand. Funding for the commercial-scale sample, costing as much as \$20 million, will require additional financing.

Management's strategy is to increase the value of the deposit—and hence shareholder value—as much as possible before inviting major company participation. In this way it can negotiate from a much stronger position and minimize shareholders' dilution in the project.

Management now faces three options:

- 1) fund the pre-feasibility and feasibility stages internally by the sale of shares;
- 2) bring in a major mining company to fund the project to production (thereby giving up an interest in the project);
- 3) a combination of 1) and 2).

For the coming year, Mountain Province and its partners will fund the current bulk sample program and additional exploration on other high-priority targets on the AK and CJ properties.



Mountain Province's AK and CJ diamond properties are located in the heart of Canada's Northwest Territories.

Objective

Maximize shareholder value by:

- 1) bringing the AK-5034 kimberlite pipe to a bankable feasibility and then to profitable production;
- 2) continuing exploration of other high-priority targets to discover additional diamond pipes.

TO OUR SHAREHOLDERS



Paul Shatzko (top) and Jan Vandersande

Our AK-5034 deposit already

compares favourably with

Canada's two other major

diamond discoveries

Over the past year, Mountain Province Mining has emerged as one of the leaders in the quest to bring viable diamond mining to Canada. With the discovery of the high-grade AK-5034 kimberlite pipe in 1995, followed by positive initial mini-bulk sample results, Mountain Province holds one of Canada's promising diamond deposits.

Furthermore, at least 40 additional targets on the AK property have been identified and are awaiting further testing. Financing since our initial discovery has been sufficient to continue this very successful exploration and development.

While these accomplishments represent commendable progress for a young company, they mark only the initial stages of our long-term plans and strategy to bring the AK-5034 pipe—and any additional discoveries—to profitable production.

Part of this strategy includes skilled management. In this regard, diamond specialist Dr. Jan Vandersande was appointed President of the Company in May, 1996. Dr. Vandersande, whose education includes a Ph.D. in solid state physics from the University of Witwatersrand, South Africa (where his thesis dealt with the properties of natural diamonds), has worked closely with De Beers Research Laboratory and is a widely published expert on the thermal and electrical properties of diamonds.

As well, he is a former financial and scientific consultant and mining analyst, providing financial advice to brokerage firms, money managers and private clients on natural resource companies and commodities. We feel Dr. Vandersande's knowledge, skills and background will provide the leadership needed to take Mountain Province to its next level of growth.

Another critical phase of our strategy is to start bulk testing the AK-5034 pipe to prove its commercial viability. Early grades from the 24.6 tonnes of kimberlite sampled to date indicate a deposit size of at least 20 million tonnes grading 3.0 carats per tonne. Although calculation of the average value per carat must await more sampling and further analysis, the frequency and quality of larger stones over 0.5 carats is encouraging, particularly in light of the small drill core (only four inches) used to obtain the sample. Already the deposit compares favourably with Canada's two other major diamond discoveries under development by Dia Met/BHP Minerals and Aber Resources/Kennecott, both located in the Lac de Gras region.

Once the 100-tonne sample is completed and analyzed, we will conduct a commercial-scale sample of

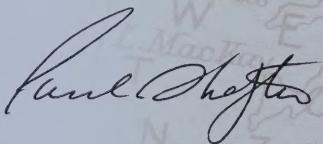
approximately 3,000 tonnes. A test of this size will provide the data needed for feasibility assessment and a production decision. However, it will also cost up to \$20 million. As mentioned in our strategy statement, management is considering three primary funding options: internal, participation with a major, or a combination of the two.

The most critical issues in such a decision are shareholder dilution, dilution of project interest and obtaining the expertise and resources to conduct the commercial-scale sampling and carry the project through to production. Management's opinion at this time is that completion of the 100-tonne mini-bulk sample, expected by September, 1996, will provide the data necessary to make such a decision. Until that time, we will forge ahead patiently and prudently, much as we have to date.

Perhaps most gratifying about our success is the fact that, in the face of much hype amidst the massive diamond "rush" of the early 1990s, we chose a patient and thorough approach to our exploration. Although the methods were slower and more expensive, the data provided was significantly more accurate and valuable. As a result, we had a slow start, but finished very strong and ahead of most other exploration companies.

For the coming year, we will maintain this prudent management. At the forefront is our overall objective: to bring the AK-5034 diamond pipe to bankable feasibility and then to profitable production while continuing exploration of our many other diamond targets.

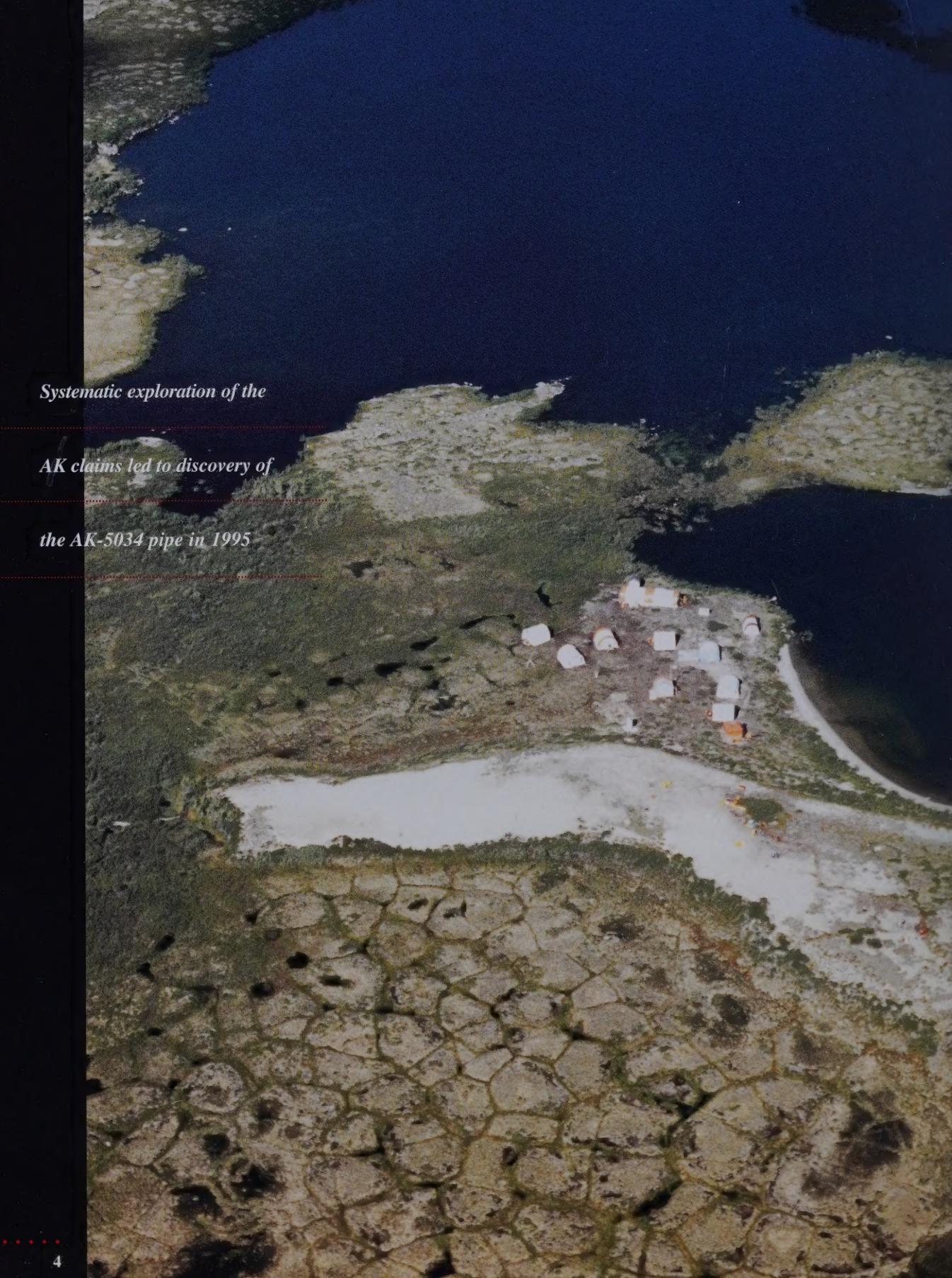
As Chairman, I take great pleasure in recognizing the remarkable achievements of our management and staff, both in the head office and at Canamera Geological. All have shown a rare commitment to excellence and success. With this dedication, I am certain the coming year will bring equal or even greater achievement.



On behalf of the Board of Directors

Paul Shatzko, Chairman

July 25, 1996

An aerial photograph of a rugged, hilly landscape. The terrain is a mix of dark, rocky areas and patches of green vegetation. In the upper right, a cluster of small white tents is set up on a grassy slope. A prominent feature is a long, light-colored, curved structure that looks like a pipe or a large concrete sewer, stretching from the bottom right towards the center. The background shows a dark blue body of water and more hills in the distance.

Systematic exploration of the

AK claims led to discovery of

the AK-5034 pipe in 1995

THE QUEST FOR CANADIAN DIAMONDS

The massive diamond staking rush witnessed in Canada's Northwest Territories over the past few years was sparked by the discovery of just a single mineral particle. In 1991, geologist Charles Fipke made the discovery of chrome diopside after years of prospecting around the world. Knowing the particle had to come from a kimberlite pipe, Fipke continued to explore the area. His efforts led to the huge kimberlite deposit near Lac de Gras which is now held by Fipke's company, Dia Met Minerals Ltd. and partner BHP, one of the largest mining companies in the world.

The rush that followed the discovery involved over 200 companies staking claims and initiating exploration programs. Along with many small, independent explorers, the promise of the region attracted some of the world's largest diamond exploration companies. These included RTZ Corp., through its Canadian subsidiary Kennecott Canada, and famed De Beers Consolidated Mines Ltd.

Although the interest is great, it appears only a handful of companies, like Mountain Province, will be winners. Few companies have made discoveries

that to date appear to be economic. (De Beers, leader of the global diamond marketing cartel, has yet to make a known significant discovery.) However, for those companies that make the finds, the return could be enormous.

Most of the small companies that have made discoveries have formed partnerships with larger companies to further explore and develop the finds. For example, in addition to the Dia Met/BHP partnership, Aber Resources Ltd. formed a partnership with Kennecott Canada. Mountain Province is unique. Even given the potential scope of its find, the company has shunned major company participation and has secured its own financing to take the project to the advanced exploration stage.

The potential for diamonds in the Canada's north is staggering. The Dia Met/BHP mine could begin annual production of 3 million to 4 million carats by 2000—equal to about 3% of worldwide production. More importantly, the high percentage of top-quality gem diamonds puts the value of the output around \$400 million per year—about 6% of 1995 worldwide production.

If the Kennecott Canada/Aber find comes on-stream as expected, Canada could account for over 12% of world production by the end of the decade. With many promising exploration programs still in their initial phases, the



Several billion years ago the rock called kimberlite was formed far below the earth's surface and surged up in rare and unique violent eruptions. On the way up, it moved through the upper mantle, which contained diamonds in places where the right temperature and pressure existed. The eruptions carried the diamond-bearing kimberlite to the surface.

Other minerals also formed at great depths, including pyrope garnet and chrome diopside, and were carried to the surface in the kimberlite. These so-called 'indicator' minerals, more readily found on the surface, are used by prospectors to locate the kimberlite pipes—usually found in clusters of between three and 100.

The vast majority of kimberlite pipes contain no diamonds at all. Of those that do, few are of production quality. Only 20 diamond mines have resulted from the 5,000 kimberlites known to date.



Photo: Located on the southwest shore of Kennedy Lake in the Northwest Territories, Mountain Province's exploration camp is situated about 600 meters west of the AK-5034 pipe.

The first significant sample

produced 75.9 carats from

24.6 tonnes of processed kimberlite.



prospect of more substantial finds is great. The next 10 years could see Canada's importance in the world's diamond industry increase dramatically.

As Canadian diamond production rises, it will offset lower production expected from Australia and Russia. Entering the new century, Canadian output could actually increase global supply. The increased production, however, is not expected to lower prices. De Beers believes such growing Asian markets as Taiwan, China and India will keep demand high enough to compensate for increases in supply.

The AK-5034 Discovery

The AK-5034 kimberlite pipe is one of the more significant diamond discoveries in Canada in recent years.

A preliminary estimate of the value of this discovery, is US \$1.8-\$3.0 billion. (see sidebar discussion). At present, this deposit is estimated to contain at least 20 million tonnes grading 3.0 carats per tonne.

Photo: Drill core from the AK-5034 is partially logged on-site at the AK camp. In light of the core's small diameter (four inches), the frequency and quality of larger stones recovered is most encouraging.

Considerable drilling and exploration have been completed to date. Over the past year alone (up to July, 1996) 104 holes were drilled into the AK-5034 pipe, including 37 for exploration, 42 for bulk sampling and 25 for delineation drilling.

A total of 5,800 kg of exploration drill hole kimberlite has been processed by caustic fusion. Following is a summary of these results:

Total Core Processed	5,836.68 kg
Total Macros	7.03 ct/tonne
Macros>1.00 mm	5.36 ct/tonne
Macros>2.00 mm	1.83 ct/tonne

A 10,000 foot delineation drilling program is underway and will be completed mid-summer 1996.

Results from the first 25 tonnes of the 100-tonne mini-bulk sample, as processed by Canamera Geological Limited's dense media separation plant, showed 75.9 carats in a total of 24.6 tonnes of processed kimberlite. This equates to a grade of 3.09 carats per tonne. The kimberlite was recovered from nine drill holes in the Southern and Central parts of the pipe. The grade was roughly uniform from drill hole to drill hole and from top to bottom in each of the holes.

These latest results represent an improvement over results from the initial exploration holes, and larger stones were recovered as well. As expected, larger samples of kimberlite are yielding larger stones and greater values.



Model of a kimberlite pipe

Evaluating the Discovery

To put a value on AK-5034, the find was assessed based on the size and shape of the pipe, the number of carats per tonne of kimberlite and the estimated range of price per carat of uncut diamonds from the pipe.

Size & Shape:

A 3-D model of the pipe shows its size at more than 20 million tonnes.

It could be more because the pipe is 'open' in two directions. Two outside boundaries and the actual depth have yet to be determined. (A 350 metre depth was used in the model.)

The shape of AK-5034 adds to its value because the pipe has a larger than average percentage of kimberlite near the surface, making it less expensive to mine.



Considerable exploration and bulk sample drilling have been completed, with much larger scale programs planned for the next 12 months.

The grade of diamonds greater than 2 mm in the largest dimension is 2.28 carats per tonne, representing an increase from the grade of 1.83 carats per tonne reported from a 5.8 tonne sample in the initial exploratory holes. The dense media separation process does not recover all the diamonds smaller than 1.5 mm in size, explaining why the total grade is lower than the 5.36 carats per tonne (for stones greater than 1 mm) reported from earlier results employing the caustic fusion recovery process. Full recovery of these smaller stones is not considered economic, given their current low commercial value. The total value of the diamonds will be determined once a larger representative sample is available.

The AK-5034 deposit is currently estimated at 20 million tonnes, but additional delineation drilling should increase the figure. As well, management strongly believes in the possibility of finding more large kimberlite pipes on the AK property. A total of 40 high-priority exploration targets have been identified in different prospective areas. Detailed indicator mineral sampling is in progress to better define the drill targets for the summer and fall of 1996.

OTHER PROPERTIES



Ketza River

The 100%-owned Ketza River gold project in the Yukon Territories comprises 15,000 acres. It adjoins the Ketza gold mine which produced 100,000 ounces of gold between 1988 and 1990. Recent exploration has revealed two large gold zones and one zone of silver and base metals. Further exploration work is planned for the summer of 1996.



Saskatchewan

Mountain Province holds interests in diamond prospects throughout Central Saskatchewan. In Candle Lake, the holdings include 10%-50% interests in 96 separate claim blocks. At Fort a la Corne, the Company's 37% interest covers 8,698 acres. The Molanosa Arch property includes 50% interest in 50 separate claim blocks. Further work is planned.

Evaluating the Discovery

Continued

Carats per Tonne:

AK-5034 has so far shown a content of 3.0 carats of diamonds per tonne of kimberlite, with 2.28 carats being made up of stones larger than 2 mm. Commercial pipes around the world seldom yield more than 4 carats of gem-quality diamonds per tonne. For its evaluation, the Company assumed

AK-5034 would ultimately produce 3 carats per tonne of diamonds.

Quality of Diamonds:

Many of the diamonds taken from AK-5034 are clear and of gem quality. A preliminary value per carat will be determined after the 100 tonne mini-bulk sample and a more representative value after the evaluation of the 10,000 carats.

For estimation purposes, Mountain Province put a conservative value of US \$30-\$50 per carat on the diamonds.

The assumptions used, in sum, are that AK-5034 contains 20 million tonnes of kimberlite that could yield 3 carats per tonne of gem-quality diamonds worth US \$30-\$50 per carat. That puts the value of the AK-5034 pipe at US \$1.8-\$3.0 billion.

Auditors' Report

To the Shareholders,

Mountain Province Mining Inc.

We have audited the balance sheets of MOUNTAIN PROVINCE MINING INC. as at March 31, 1996 and 1995 and the statements of loss and deficit, deferred exploration and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1996 and 1995 and the results of its operations and changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

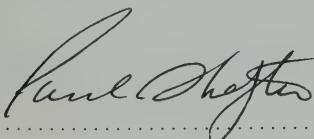
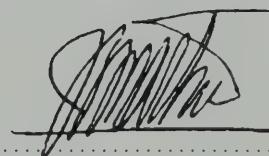


*Certified General Accountants
Vancouver, B.C.
June 18, 1996*

Balance Sheets as at March 31, 1996 and 1995

	1996	1995
ASSETS		
CURRENT		
Cash	\$ 4,265,223	\$ 1,694,026
Accounts receivable	329,390	213,761
Marketable securities (Note 2)	145,604	98,575
Advances and prepaid expenses	45,136	68,532
	<u>4,785,353</u>	<u>2,074,894</u>
MINERAL PROPERTIES (Note 3)	415,320	690,321
DEFERRED EXPLORATION (Note 3)	7,596,474	2,571,516
CAPITAL ASSETS		
at cost net of accumulated amortization of \$22,938 (1995 - \$10,643)	52,810	42,209
INCORPORATION COSTS	<u>2,099</u>	<u>2,099</u>
	<u><u>\$ 12,852,056</u></u>	<u><u>\$ 5,381,039</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,191,385	\$ 445,366
Due to related parties	92,651	80,551
Share subscription	5,319,600	—
	<u>6,603,636</u>	<u>525,917</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 4)	9,682,976	7,329,065
DEFICIT	<u>(3,434,556)</u>	<u>(2,473,943)</u>
	<u>6,248,420</u>	<u>4,855,122</u>
	<u><u>\$ 12,852,056</u></u>	<u><u>\$ 5,381,039</u></u>

Approved by the Directors

The accompanying notes are an integral part of the financial statements.

Statements of Loss and Deficit

For the Years Ended March 31, 1996 and 1995

	1996	1995
REVENUE		
Interest	\$ 97,870	\$ 29,359
EXPENSES		
Amortization	12,295	7,872
Consulting	79,006	113,454
Corporation capital tax	7,577	5,781
Interest and bank charges	1,500	2,437
Management fees	75,000	30,000
Office and miscellaneous	182,678	107,305
Professional fees	334,841	41,672
Printing	20,712	15,242
Project evaluation costs	—	27,852
Promotion and shareholder relations	238,204	84,405
Rent	32,267	37,126
Telephone	47,491	42,233
Transfer agent and regulatory fees	37,244	17,766
Travel	182,615	68,742
Wages and benefits	33,366	—
	<u>1,284,796</u>	<u>601,887</u>
LOSS BEFORE THE UNDERNOTED ITEMS	(1,186,926)	(572,528)
GAIN (LOSS) FROM MARKETABLE SECURITIES	316,313	(46,786)
LOSS FROM WRITE-OFF OF MINERAL PROPERTIES AND RELATED DEFERRED EXPLORATION	(90,000)	(245,039)
NET LOSS FOR THE YEAR	(960,613)	(864,353)
DEFICIT, BEGINNING OF YEAR	(2,473,943)	(1,609,590)
DEFICIT, END OF YEAR	\$ (3,434,556)	\$ (2,473,943)
LOSS PER SHARE	\$ (0.05)	\$ (0.07)

The accompanying notes are an integral part of the financial statements.

Statements of Deferred Exploration

For the Years Ended March 31, 1996 and 1995

	1996	1995
EXPLORATION		
Environmental work	\$ 23,398	\$ —
Geophysical survey	325,053	109,187
Sampling	1,605,026	514,670
Geological consulting & supplies	—	82,291
Drilling	2,681,464	435,835
Line cutting	—	300
Travel & supplies	350,902	—
Report and filing fees	39,115	16,745
DEFERRED EXPLORATION FOR THE YEAR	5,024,958	1,159,028
DEFERRED EXPLORATION, BEGINNING OF YEAR	2,571,516	1,430,501
WRITE-OFF OF DEFERRED EXPLORATION	—	(18,013)
DEFERRED EXPLORATION, END OF YEAR	\$ 7,596,474	\$ 2,571,516

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Financial Position

For the Years Ended March 31, 1996 and 1995

	1996	1995
OPERATING ACTIVITIES		
Net loss for the year	\$ (960,613)	\$ (864,353)
Deferred exploration costs	(5,024,958)	(1,159,028)
	<u>(5,985,571)</u>	<u>(2,023,381)</u>
Add items not involving cash:		
Amortization	12,295	7,872
Loss from write down of marketable securities	—	46,786
Loss from write-off of mineral properties and related deferred exploration	90,000	245,039
	<u>(5,883,276)</u>	<u>(1,723,684)</u>
Cash provided (used) by net changes in non-cash working capital items	665,886	476,058
	<u>(5,217,390)</u>	<u>(1,247,626)</u>
FINANCING ACTIVITIES		
Share subscriptions	5,319,600	—
Shares issued for cash, net of commissions	2,353,911	1,965,519
Shares issued for mineral properties	—	331,000
Marketable securities received for mineral properties (net)	137,971	—
	<u>7,811,482</u>	<u>2,296,519</u>
INVESTING ACTIVITIES		
Acquisition of mineral properties	—	(146,012)
Acquisition of capital assets	(22,895)	(25,146)
	<u>(22,895)</u>	<u>(171,158)</u>
INCREASE IN CASH	2,571,197	877,735
CASH, BEGINNING OF YEAR	1,694,026	816,291
CASH, END OF YEAR	\$ 4,265,223	\$ 1,694,026

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 1996 and 1995

1. Summary of Significant Accounting Policies

a) Deferred Exploration

Exploration costs relating to mineral properties are deferred until the property is brought into production, at which time the deferred costs are to be amortized on a unit of production basis, or until the property is abandoned or sold, at which time the deferred costs are to be written off.

b) General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

c) Amortization

Capital assets are amortized over their estimated useful lives on the declining basis as follows:

Furniture and equipment	- 20%
Computers	- 30%

Further, only one-half the amortization is taken on assets acquired during the year.

d) Loss Per Share

Loss per share has been calculated based on the weighted average number of shares outstanding during the year.

2. Marketable Securities

Marketable securities are carried at the lower of cost and market.

3. Mineral Properties

a) Ketza River Project

The Company is the registered owner of certain mining claims situated in the Ketza River Gold Camp, Watson Lake Mining District, Yukon Territory. These claims were staked by the Company during the year ended March 31, 1988, at a total cost of \$30,582. The Ketza River Project covers approximately 11,000 acres.

The Company entered into an agreement dated November 29, 1995 pursuant to which Eurotech Technologies Inc. will be entitled to earn an undivided 50% interest by expending \$1,000,000 on the exploration, development and mining of the Ketza River claims, and by issuing to the Company a total of 200,000 of its common shares.

b) Molanosa Diamond Project

Pursuant to an agreement dated March 8, 1993, the Company acquired a 50% interest in 5 mineral claims situated in the Northern Mining District, Province of Saskatchewan. As consideration, the Company advanced \$220,000 for exploration expenditures. In addition the Company staked 22 additional mineral claims which have been added to this option.

The Company formed a joint venture with the optionor pursuant to an agreement dated March 8, 1993, which agreement contains the standard dilution and other joint venture operating provisions.

c) AK/CJ Claims

Pursuant to an agreement dated November 30, 1992 and amended January 8, 1993, the Company entered into an option to acquire a 100% undivided interest in certain mineral claims located in the District of Mackenzie, Northwest Territories.

As consideration, the Company paid \$380,000, issued 200,000 shares and spent \$1,500,000 for exploration on the claims. The claims are subject to a 3% gross overriding royalty with a minimum advance royalty of \$200,000 per year commencing five years from the date the Company earns its option in the claims. The Company has the right to acquire the gross overriding royalty for \$5,000,000 within five years of the date the Company earns its option in the claims.

Pursuant to an agreement dated November 18, 1993 and subsequently amended, the Company optioned 40% of its interest in the AK/CJ claims. As consideration, the Company received \$1,151,144.

Pursuant to an agreement dated August 16, 1994 and subsequently amended, the Company assigned another 10% of its interest in the AK/CJ claims to Camphor Ventures Inc. As consideration, Camphor Ventures issued 400,000 of its shares to the Company, and has agreed to contribute 20% towards exploration expenditures of up to \$1,000,000 and 10% thereafter.

The Company's exploration program discovered a diamondiferous Kimberlite Pipe on this property. As a result, the Company's current focus is on the development of this property.

d) Pipe Claims

Pursuant to an agreement dated March 4, 1993, the Company acquired 30 mineral claims located in the Mackenzie Mining District, Northwest Territories. As consideration, the Company paid \$77,475 and issued 100,000 shares. The Company acquired an additional 75 claims in the vicinity of the Pipe Claims and advanced \$90,000 towards the staking costs. During the year ended March 31, 1995 the Company abandoned 30 of the 105 mineral claims for a loss of \$169,639. The remaining claims were written off during the year for a loss of \$90,000.

Notes to Financial Statements

e) Ft. a La Corne Property

The Company owns a 37.5% undivided interest in certain mineral claims known as the Ft. a La Corne Property located in Saskatchewan.

The Company formed a joint venture pursuant to an agreement dated December 7, 1993, which agreement contains the standard dilution and other joint venture operating provisions.

f) Paul Reynolds Permits

Pursuant to an agreement dated July 28, 1993, the Company acquired a 100% interest in nine metallic and industrial mineral permits, located in the Province of Alberta. As consideration, the Company paid \$5,000 and issued 50,000 shares. During the year ended March 31, 1995 management abandoned its interest. Consequently, the acquisition costs of \$39,050 together with deferred exploration costs of \$3,850 were written off.

g) 598909 Saskatchewan Claims & Northern Saskatchewan Claims:

Pursuant to an agreement dated January 17, 1994, the Company acquired a 50% interest in 15 mineral claims located in the Province of Saskatchewan. As consideration, the Company paid \$15,000 and issued 100,000 shares. In addition the Company incurred approximately \$24,000 of exploration expenditures. The claims are subject to a 1% net smelter return and a 3% gross overriding royalty. Pursuant to agreements dated February 22, 1994, the Company acquired a 100% undivided interest in 43 mineral claims located in the Province of Saskatchewan. As consideration, the Company paid \$25,000 and issued 200,000 shares. The claims are subject to a 1% net smelter return and a 3% gross overriding royalty.

Pursuant to the agreements dated April 8, 1994 and March 15, 1995 the Company optioned 90% of its interest in 4 of the 598909 Saskatchewan claims and 32 of the Northern Saskatchewan claims, all of which are located in the Province of Saskatchewan. As consideration, the Company received 35,000 common shares of War Eagle Mining Company Inc. and 35,000 common shares of Great Western Gold Corp. ("Candle Lake Joint Venture"). The Company will receive an additional 40,000 common shares of each company upon discovery of a diamondiferous kimberlite on the claims and an additional 20,000 common shares of each company upon the preparation and release of a feasibility study giving a positive recommendation for entering into production. Further, Kennecott Canada Inc. has agreed to incur expenditures on these claims as part of the Candle Lake Joint Venture to earn a 60% interest. Total work commitment by Kennecott Canada Inc. on the Candle Lake Joint Venture is \$8,000,000.

h) Tobin Lake Area Claims

Pursuant to an agreement dated January 24, 1994, the Company acquired a 25% interest in mineral claim S-105084 located in the Tobin Lake Area, Province of Saskatchewan. As consideration, the Company issued 38,400 shares and agreed to issue an additional 38,400 shares in the event that kimberlite is intersected at bedrock on the property. The claim is subject to a 3% gross overriding royalty. Under the terms of the agreement, the Company has the right to acquire 50% of the gross overriding royalty for \$1,500,000.

i) Metallic and Industrial Mineral Permits

Pursuant to an agreement dated November 25, 1993, the Company was granted an option to acquire a 50% interest in certain mineral claims located in the Province of Alberta. As consideration, the Company issued 50,000 shares and agreed to pay \$25,000 and spend \$200,000 on exploration on the claims by December 31, 1994. During the year ended March 31, 1995 the Company abandoned this option. Consequently, the acquisition costs of \$32,500 were written off.

j) Mary Dale Property

Pursuant to an agreement dated June 13, 1994, the Company acquired a 100% interest in three mineral claims located in the Northern Mining District, Province of Saskatchewan. As consideration, the Company paid \$10,000 and issued 100,000 shares. The claims are subject to a 3% gross overriding royalty.

4. Share Capital

a) Authorized

100,000,000 common shares without par value.

b) Issued and Fully Paid Shares

	Number of Shares	Amount
Balance, March 31, 1994	12,490,394	\$ 5,032,546
Issued pursuant to exercise of stock options	625,000	263,450
Issued pursuant to exercise of warrants	1,373,089	1,262,069
Issued pursuant to private placement	1,000,000	440,000
Issued for commission on private placement	86,000	—

Notes to Financial Statements

4. Share Capital

b) Issued and Fully Paid Shares (continued)

Issued pursuant to acquisition of mineral properties	450,000	331,000
Balance, March 31, 1995	16,024,483	7,329,065
Issued pursuant to exercise of stock options	727,539	313,619
Issued pursuant to exercise of warrants	1,765,801	1,191,434
Issued pursuant to private placement	192,922	848,858
Balance, March 31, 1996	18,710,745	\$ 9,682,976

See Note 5.

c) Stock Options

As at March 31, 1996, the following directors and employee stock options were outstanding:

Number of shares	Exercise Price	Expiry Date
83,000	\$ 0.56	November 15, 1996
1,768,000	4.92	October 30, 1997

See Note 5(b).

d) Special Warrants

On December 29, 1995, the Company issued 1,300,000 special warrants at a price of \$4.40 per special warrant. Each special warrant is convertible for no additional consideration into one unit consisting of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$5.25 per share until December 29, 1997. The Company also issued a special agent's warrant which is exercisable for no additional consideration into an agent's option. The agent's option is exercisable into 250,000 units of the Company at a price of \$4.40 per unit until December 29, 1996 and thereafter at a price of \$5.06 per unit until December 29, 1997. Each unit consists of one common share and one-half of one warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$5.25 per share until December 29, 1997. See Note 5(a) and (c).

5. Subsequent Events

a) Special Warrants

Subsequent to March 31, 1996, 1,300,000 special warrants and 111,250 special agent's warrants were exercised for a total cash consideration of \$5,859,059.

b) Stock Options

Subsequent to March 31, 1996, 414,000 stock options were exercised for a total cash consideration of \$1,675,000.

c) Share Warrants

Subsequent to March 31, 1996, 55,625 share warrants were exercised for a total cash consideration of \$292,031.

6. Related Party Transactions

- a) During the year the Company paid \$75,000 (1995 - \$30,000) for management services to a director of the Company.
- b) During the year the Company paid \$49,041 (1995 - \$46,115) for secretarial and public relations services to third parties related to a director of the Company.
- c) During the year ended March 31, 1995 the Company assigned 10% of its interest in AK/CJ claims to Camphor Ventures Inc., a company related through common directors. See Note 3 (c).
- d) During the year the Company paid \$47,596 (1995 - \$25,312) to a private company controlled by a director for geological services.

7. Contingent Liabilities

- a) The Company had received a demand for approximately 70,000 shares in payment of an additional finder's fee in connection with the acquisition of the AK/CJ mineral claims. The Company's position is that the demand is without merit.
- b) The Company's total minimum rentals for the operating lease, which expires on May 31, 1999 is as follows:

1996	\$ 14,509
1997	19,345
1998	19,345
1999	8,060
	\$ 61,259

CORPORATE INFORMATION

Officers & Directors:

Paul Shatzko, M.D.

Chairman & Director

Jan W. Vandersande, Ph.D.

President & Director

Jesus R. Martinez, M.Sc., P.Eng.

Secretary & Director

Carl G. Verley, P.GeoL.

Director

Raj I. Chowdhry, C.A.

Director

Brian Lawrence

Director

Shares Traded:

Vancouver: Symbol MPV

NASDAQ: Symbol MPVIF

Capitalization:

Shares Authorized 100,000,000

Shares Issued 21,189,620

Fully Diluted 23,300,745

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Montreal Trust Company of Canada

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Vancouver, B.C. V6C 3B9

Legal Counsel

Campney & Murphy

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Vancouver, B.C. V7X 1K9

Bank

Bank of Montreal

Main Branch

Vancouver, B.C.